

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)
) D 02 - 205
Al Chadwick Insurance, Inc.)
 &) STIPULATION AND CONSENT ORDER
Edward J. Chadwick,)
)
 Licensees.)

STIPULATED FACTS :

1. Al Chadwick Insurance, Inc. (Agency), has been a licensed insurance agency continuously since November 20, 1969. The Agency also held an insurance broker's license from February 29, 1968 through February 1, 1984, and November 14, 1984 through November 25, 1997. The Agency does not currently hold a broker's license.
2. Edward J. Chadwick has been a licensed insurance agent intermittently since April 2, 1984, and is presently so licensed.
3. Edward J. Chadwick owns 100 percent of the Agency and is directly responsible for the accounting for, and disbursement of, Agency funds.
4. Office of the Insurance Commissioner (OIC) Insurance Examiner II, Mary Manum, completed an on-site financial exam on June 7, 2002. She discovered that Edward J. Chadwick had been using funds from the Agency's premium account to pay for the Agency's business operations in addition to paying premiums. As of May 31, 2002, the premium account had a shortfall of approximately \$ 807,071. Edward J. Chadwick admitted that he was aware of the shortage, but did not agree with the amount of the shortage. The Agency's fiscal year ended June 30, 2002 and Edward J. Chadwick sent his accounting documents to his certified public accountant (CPA) for review.
5. OIC insurance examiner IV, Ken Combs, also a CPA, reviewed the audit findings and discussed the report with Edward J. Chadwick and the Agency's CPA. During this discussion, and as a result of further calculations of premium account figures, OIC examiner Combs, Edward Chadwick and his accountant agreed that the shortage in the premium account, as of June 30, 2002, was approximately \$640,000.
6. The shortage in the premium account occurred when Edward J. Chadwick transferred more funds from the Agency's premium account than the Agency had earned. Chadwick then used these funds to pay for various business operations in addition to paying premiums and return premiums.

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7. By his conduct, individually and on behalf of AI Chadwick Insurance, Inc., Edward J. Chadwick has shown himself to be, and is so deemed by the Commissioner, incompetent, or untrustworthy, or a source of injury and loss to the public.

CONCLUSIONS OF LAW:

1. As a licensed insurance agent, AI Chadwick Insurance, Inc. is governed by the provisions of Title 48 RCW and Title 284 WAC.

2. As a licensed insurance agent, Edward J. Chadwick is governed by the provisions of Title 48 RCW and Title 284 WAC.

3. Edward J. Chadwick, on behalf of AI Chadwick Insurance, Inc., failed to properly report and account for insurance premiums or return premiums received in a fiduciary capacity, in violation of RCW 48.17.480.

4. Edward J. Chadwick, on behalf of AI Chadwick Insurance, Inc., failed to account for and maintain insurance premiums or return premiums in an account separate from all other business and personal funds, in violation of RCW 48.17.600.

5. Edward J. Chadwick has violated RCW 48.17.480 and RCW 48.17.600 and, as contemplated by RCW 48.17.530(1) (h), has shown himself to be incompetent, or untrustworthy, or a source of injury and loss to the public. The Commissioner may revoke the insurance licenses of Edward J. Chadwick and AI Chadwick Insurance, Inc., pursuant to RCW 48.17.530.

CONSENT TO ORDER:

1. Edward J. Chadwick and AI Chadwick Insurance, Inc., hereby admit to the foregoing Stipulated Facts and Conclusions of Law. Edward J. Chadwick and AI Chadwick Insurance, Inc., acknowledge their duty to comply fully with the applicable laws of the State of Washington.

2. The Commissioner has offered a settlement in lieu of suspending or revoking the insurance agent's licenses of Edward J. Chadwick and AI Chadwick Insurance, Inc.

3. By agreement of the parties, the OIC will impose a fine of \$50,000 on Edward J. Chadwick for the violations set forth herein. In addition, the parties agree that OIC will suspend collection of \$45,000 of the fine if the following conditions are met:

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CONDITIONS:

1. Edward J. Chadwick shall pay the \$5,000 fine within thirty days of the effective date of this Order.
2. Any proposed sale of AI Chadwick Insurance, Inc., prior to full satisfaction of all the terms and conditions of this Order, will be subject to the prior written approval of the OIC.
3. AI Chadwick Insurance, Inc. shall make changes to its accounting system(s) to ensure proper compliance with the timely reporting and accounting of premiums in compliance with RCW 48.17.480.
4. AI Chadwick Insurance, Inc. shall make changes to its accounting system(s) to ensure proper compliance with the separation of premium funds in compliance with RCW 48.17.600.
5. Edward J. Chadwick and AI Chadwick Insurance, Inc. will provide OIC with monthly financial statements demonstrating their compliance with RCW 48.17.480 and RCW 48.17.600.
6. Edward J. Chadwick and AI Chadwick Insurance, Inc. will devise and implement a payback schedule, approved by OIC that will insure a balanced premium account within two years from the effective date of this Order.
7. Edward J. Chadwick and AI Chadwick Insurance, Inc. will secure written guarantees from Great West Casualty Company and Pacific International Underwriters Inc., that recognize those companies are liable for all unpaid premiums collected by the licensees in their capacity as the agent of record for those companies.
8. Edward J. Chadwick and AI Chadwick Insurance, Inc. acknowledge and understand OIC has the right to audit the licensees' accounting and sales records during normal business hours as often as it deems appropriate without sending prior notification to the licensees.

EXECUTED and AGREED this 4th day of November, 2002.

By: _____
Edward J. Chadwick, President
AI Chadwick Insurance, Inc., Licensee
&
Edward J. Chadwick, Licensee

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ORDER

Pursuant to RCW 48.17.560 and the foregoing Consent Order, the Commissioner hereby imposes a total fine in the amount of \$50,000 upon Al Chadwick Insurance, Inc. and Edward J. Chadwick, and suspends \$45,000 of the fine.

The \$5,000 fine shall be paid in full within thirty days from the date of this Order. If the licensees fail to pay the fine, the Commissioner will revoke the licenses of Edward J. Chadwick and Al Chadwick Insurance, Inc., and the total fine, including the suspended amount, will be recoverable in a civil action brought on behalf of the Commissioner by the Attorney General's Office.

Failure to comply with all of the conditions set forth in the Conditions Section of the Stipulation and Consent Order shall constitute grounds for collection of the entire amount of \$50,000 and the automatic and immediate revocation of the insurance agent licenses of Al Chadwick Insurance, Inc. and Edward J. Chadwick.

ENTERED AT LACEY, WASHINGTON, this 6th day of November, 2002.

MIKE KREIDLER
Insurance Commissioner

By

SCOTT JARVIS
Deputy Commissioner

Examiners: Mary Manum & Ken Combs